



# Widener University School of Law

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Exit Interview Counseling Presentation

Managing your student loan repayment

# Types Of Education Debt

## Three Types

- Federal Loans
  - Stafford Subsidized/Unsubsidized
  - Federal Direct Subsidized/Unsubsidized
  - GradPLUS (FFELP/Direct)
- Institutional Loan
  - Widener Scholar Loan (merit based)
- Private Loans
  - New Jersey Class
  - Citi Assist, Wells Fargo, Sallie Mae





# Stafford/Direct Loan Terms

## Subsidized and Unsubsidized

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- Interest rate:

For loans disbursed *after* 07/01/2013:

**Fixed at 5.41%**

For loans disbursed *after* 07/01/2006:

**Fixed at 6.8%**

For Loans Disbursed *prior* to 07/01/2006:

**Variable, capped at 8.25%**



# Stafford/Direct Loan Terms

## Subsidized and Unsubsidized

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- Grace period: **6 months**
- Repayment term: **10 years**
- Lender: **Bank or Department of Education**
- Holder: **Department of Education or original lender**
- Maximum amount per academic year: **\$20,500.00**



# Subsidized Stafford Loan Terms

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- Interest is paid by the government while in school, during grace periods and during deferments.
- Maximum amount per academic year was 8,500.00 for loans first disbursed prior to 07/01/12.



# Unsubsidized Stafford Loan Terms

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- Interest accrues from the date of disbursement and is the student's responsibility. It can be paid by the student while in school on a quarterly basis or can be capitalized at repayment.
- Capitalization is when the amount of accrued interest is added to the principal of the loan.
- Maximum amount was 12,000 prior to 07/01/12, now 20,500 in an academic year



# Widener Scholars Loan

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- No interest accrues while in school, during grace periods and during deferment.
- Interest rate: **Fixed 5%**
- Grace period: **6 months**
- Repayment term: **10 years**
- Lender: **School**

**Widener Scholar Loans are serviced by  
UAS (University Accounting Services)**



# Federal Graduate Plus Loan

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## **July 1, 2013 – to Present**

- Fixed 6.41% interest rate - Fees: 4.204% or 4.288% origination fee

## **July 1, 2012 – to June 30, 2013**

- Fixed 7.9% interest rate - Fees: 4% origination fee

## **July 1, 2010 – June 30, 2012**

- Fixed 7.9% interest rate - Fees: 4% origination fee
  - Federal Direct GradPLUS loans have an immediate fee rebate of 1.5% applied at disbursement.
  - Borrowers who make their first 12 required payments on-time will retain this rebate for the remaining term of the loan.

## **July 1, 2006 - June, 30 2010**

- Fixed 8.5% interest rate - Fees: 3% origination fee and 1% default fee charged at disbursement



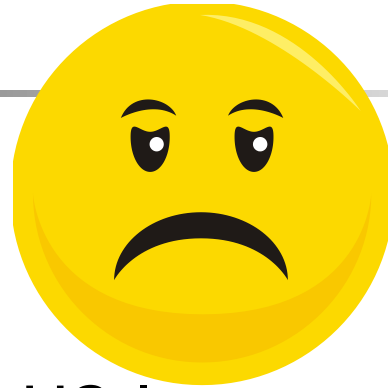


# Federal Graduate Plus Loan

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- Loans disbursed after July 1, 2008 carry a six month post half-time enrollment deferment period (grace)
- Repayment = 10 years. Options exist to extend repayment term.
- for loans disbursed *prior to July 1, 2008* - Repayment begins 60 days after the loan is fully disbursed or the student ceases at least half time enrollment
  - Postpone repayment for up to 6 months after you leave school by requesting a forbearance

# Federal Direct Graduate Plus Loan



- Direct GradPLUS loan servicers may or may not require you to request that you be put into your "Post half-time enrollment deferment"
- Check NSLDS 30 days after May 30, 2014 to make sure you are not in repayment and if you are-Contact your servicer!



# Private Loan Terms

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- Interest rate: **Varies by program**
- Fees: **Vary by program**
- Repayment term: **Options and incentives vary by program**
- Check with your lender for your loan's specific details
- NJ Class Loans are state sponsored private loans. You made choices regarding interest rates and repayment option when you applied for the loan. Check your records to determine your terms.



# Preparing After Graduation

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- Grace Period
- Deferment
- Forbearance
- Loan Consolidation
- Repayment Options



# Know Your Loan's Grace Period

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A **grace period** is a specified period after you graduate or leave school during which you do not have to make payments on your loan. Be sure you know it!

- The Federal grace period is 6 months and it may differ for Private Loans.
- It is included as part of the loan terms; you do not have to apply for it



# Deferments

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A deferment is a specified period when a borrower may temporarily suspend loan payments if certain criteria are met.

- You must apply for it – contact your lender or servicer
- May be either loan-specific or borrower-specific
- Interest on subsidized loans does not accrue when in a deferment



# There Are Many Types Of Deferments

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For Federal Stafford and GradPlus loans, the following deferments are available:

- In-School
  - Unemployment
  - Graduate Fellowships
  - Rehabilitation Training
  - Economic Hardship
  - Military Service (vary by type and timing of service)
- \*\* Deferments also apply to Federal Consolidation Loans



# What Is Forbearance?

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- Forbearance is an agreement to temporarily suspend or reduce loan payments for a limited period of time. Use it wisely, as it could cost you more in the long run.
- Helps avoid delinquency and default
- Will not adversely affect credit reports
- Must be applied for on an annual basis
- Carries a 3-year maximum time limit
- Loan interest will continue to accrue and must be paid or be capitalized





# Temporary Hardship Forbearance

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- Lenders offer a temporary hardship forbearance.
- Up to 12 months on your signature.
- May use to align repayment of your loans



# Consolidation Can Work To Your Benefit or Not

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- With Whom
  - William D. Ford Direct Lending Program
- Why
  - Convenience of one lender/servicer
  - Lower monthly payments (will result in a larger total payment over time)
  - **Fixed** interest rate based on weighted average of underlying loans interest rates, rounded to 1/8%
  - Ability to participate in Public Service Loan Forgiveness Program with Direct Consolidation Loans



# Consolidation Considerations

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- Variable vs. fixed interest rate loans
- Fixed Interest Rate loans rounded to next 1/8%
- Interest rates no longer capped at 8.25% (*July 1, 2013*)
- Not necessary if all of your loans are Federal Direct Loans – loans should already be at one servicer.



# Federal Loans Eligible For Consolidation

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- Federal Family Education Loan Program (FFELP) (Stafford, PLUS, and Consolidation Loans)
- William D. Ford Federal Direct Loan Program (Stafford, PLUS and Consolidation Loans)
- Federal Perkins Loans
  
- Where: <http://www.studentloans.gov>
  - You will be able to pull your loan information from NSLDS to help you complete your application.



# Federal Loan Repayment Options

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Many repayment options are available

- **Standard-** 10-year repayment term
- **Graduated** - Payments start low, then increase after two years, and then after five.
- **Extended** - Up to 25 or 30 year repayment term, depending on total amount borrowed.
- **Income Driven Repayment Plans**
  - **Income Sensitive/Income Contingent** - Payments tied to your income.
  - **Income Based Repayment** - payments based on a percentage of Adjusted Gross income after adjusted by federal formula.
  - **Pay As you Earn Repayment Plan** - similar to IBR



# Federal Loan Repayment Options

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- **Standard** (only option available for Perkins)
  - 10 years, level payments
  - Least expensive option
- **Graduated**
  - Interest Only payments the first two years, then payment will increase to interest and small principal payment and then straight repayment
  - Up to 30 years for repayment depending on loan amount



# Federal Loan Repayment Options

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- Extended - available to borrowers with an outstanding principal of \$30,000 or more
  - Level payments, maximum of up to 30 years to repay
  - Consider this option if experiencing cash flow problems in early years of repayment
- Income Sensitive/Income Contingent
  - Payments tied to your income
  - Payments usually start low and increase as income increases
  - Up to 30 years for repayment depending on loan amount
  - Will ultimately be replaced by Income Based Repayment



# Income Based Repayment

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- Must have a “partial financial hardship”
- Partial Financial hardship is defined as when the annual amount due on their total eligible federal student loan debt in repayment, when calculated using the Standard Repayment Plan based on a 10-year repayment schedule, exceeds 15% of that portion of their household AGI that is above 150% of the poverty line for their family size.
- Monthly payments are set to 15% of monthly income after subtracting 150% of the family size poverty level income
- Adjusts annually
- If balance remains after 25 years, it is forgiven. Currently counts as taxable income.





# Pay as you Earn

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- Must be a New Borrower as of Oct 1, 2007.
- Must have had a Direct Loan disbursement after Oct 1, 2011.
- Only available if all loans are Federal Direct Loans.
- Must have a “partial financial hardship”
- Works the same as Income Based Repayment but using 10%
- Monthly payments will be set to are set to 10% of monthly discretionary income.
- Adjusts annually
- If balance remains after 20 years, it is forgiven.
- Currently – would count as taxable income.
- Available as of December, 2012



# Repayment Examples

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Debt - \$133,887

Stafford - \$71,750

GradPLUS – \$62,137

Standard

Payment - \$1,544 for 120 months

Total Payments - \$185,280

Total Interest – \$51,393



# Repayment Examples

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Standard 20 year

Payment - \$1,028 for 240 months

Total Payments - \$246,720

Total Interest – \$112,833



# Repayment Examples

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Extended – 30 years

Payment - \$880

Total Payments – \$316,800

Total Interest - \$182,913



# Income Based Repayment Example

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- Total Loan Debt - \$133,887
  - Stafford – \$71,750
  - Grad Plus – \$62,137
  
- Estimated Monthly Loan Payment  
\$ 1544 ( 120 Months)



# Income Based Repayment Example

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**Total Annual Payment (10 year repayment) - \$18,528**

<b>Household size -</b>	<b>1</b>
<b>Household Adjusted Gross Income -</b>	<b>\$55,000</b>
<b>HHS Poverty line for Household size -</b>	<b>\$11,490</b>
<b>150 % of Poverty Line -</b>	<b>\$17,235</b>

<b>Household AGI – 150% of the Poverty line -</b>	<b>\$37,765</b>
<b>15% of AGI above the Poverty Line -</b>	<b>\$ 5,665</b>

**Eligible for Income Based Repayment - YES**



# Income Based Repayment Example

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<b>15% of AGI above the Poverty Line -</b>	<b>\$5,665</b>
<b>Standard Monthly Payment -</b>	<b>\$1,544</b>
<b>Income Based Monthly Payment - (5,665 divided by 12 months)</b>	<b>\$ 472</b>



# Pay As You Earn Repayment Example

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Household size	1
Household Adjusted Gross Income	\$ 55,000
HHS Poverty line for Household size <i>(Dept of Health and Human Services)</i>	\$ 11,490
150 % of Poverty Line	\$ 17,235
Household AGI – 150% of the Poverty line	\$ 37,765
10% of AGI above the Poverty Line	\$ 3,777
Eligible for Income Based Repayment	<b>YES</b>
10% of AGI above the Poverty Line	\$ 3,777
Standard Monthly Payment	\$ 1,544
Income Based Monthly Payment (3,777 divided by 12 months)	<b>\$ 315</b>





# Monthly maximum payments (2013)

## IBR

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- AGI - (assumes family size of 1)
  - \$30,000 \$160
  - \$40,000 \$285
  - \$50,000 \$410
  - \$60,000 \$535
  - \$70,000 \$660
  - \$80,000 \$785
  - \$90,000 \$910
  - \$100,000 \$1,035



# Benefits of IBR / Pay As You Earn

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- **Payment**: Monthly payment amount less than 10-year Standard repayment plan.
- **Interest Payment Benefit**: Government will pay unpaid accrued interest on Subsidized Stafford/Direct loans for up to 3 consecutive years from date begin repayment under IBR.
- **25-Year Cancellation**: If repay under **IBR** plan for 25 years and meet certain other requirements, any remaining balance cancelled.
- **20-Year Cancellation**: If repay under **Pay As You Earn** plan for 20 years and meet certain other requirements, any remaining balance is cancelled.



# Disadvantages of IBR / Pay As You Earn

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- **You Will Pay More Interest**: Faster you repay loans, less interest you repay. Reduced monthly payment generally extends repayment period creating more interest over life of the loan.
- **Negative Amortization**: when required loan payment does not cover accruing interest.
- **Taxable Income**: Amount cancelled is taxable income.
- **You Must Submit Annual Documentation**: To set payment amount each year, loan servicer needs updated information about income and family size.
  - If not provided, will be required to pay monthly amount under 10-year Standard repayment plan.
  - Amount will be based on amount owed when began repaying under IBR or Pay As You Earn.



# Student Loans.gov

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- Department of Education website <http://studentloans.gov>
- Repayment Estimator available-uses information from NSLDS.
- Remember, interest has not been capitalized at this point so repayment amount are estimates only.



You must select either an average loan balance from the options provided below or enter individual loans manually. Loans that have been entered manually may be edited or deleted once added.

[Your Loan Balance](#) ⓘ

\$133,887

[Interest Rate](#) ⓘ

6.9%

Loans	Details
Direct Unsubsidized Loan	\$20,500 6.8%
Direct Unsubsidized Loan	\$30,750 6.8%
Direct Unsubsidized Loan	\$20,500 5.4%
Direct PLUS Loan	\$20,712 7.9%
Direct PLUS Loan	\$20,712 7.9%
Direct PLUS Loan	\$20,713 6.4%



You have a choice of repayment plans. The chart below provides details about repayment plans and your estimated repayment information under each of the different plans. Your loan servicer will determine your eligibility for the repayment plans.



Repayment Plan	Repayment Period	Monthly Payment			Projected Loan Forgiveness	Total Interest Paid	Total Amount Paid	
		Initial	to	Final Amounts				
Standard*	120 months	\$1,545	to	\$1,545		\$0	\$51,535	\$185,422
Graduated*	120 months	\$892	to	\$2,676		\$0	\$65,776	\$199,663
Extended Fixed	300 months	\$935	to	\$935		\$0	\$146,526	\$280,413
Extended Graduated	300 months	\$766	to	\$1,330		\$0	\$169,733	\$303,620
Pay As You Earn**	240 months	\$315	to	\$892		\$183,577	\$134,112	\$134,112
Income-Based Repayment (IBR)**	300 months	\$472	to	\$1,545		\$53,791	\$211,511	\$291,608
Income-Contingent Repayment (ICR)**	222 months	\$725	to	\$1,863		\$0	\$129,872	\$263,759

\* For Direct Consolidation Loans, the repayment period under this plan varies from 10 to 30 years based on your Direct Consolidation Loan amount and other education loan debt. These estimates are based on a 10-year repayment period. You may have a longer repayment period and a lower monthly payment. Ask your servicer for more information.

\*\* Calculations under this plan include an annual 5% income and a 3.3% poverty line increase. Some of your loans may not qualify for this repayment plan. View repayment plan eligibility information in the "Your Loans" section above, or contact your loan servicer.



# Public Service Loan Forgiveness Program

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- Must have loans in a Direct Loan
- Can consolidate FFELP into Direct for this program
- Must make 120 qualifying payments while in a qualifying position.
- A zero payment counts as a payment



# Public Service Loan Forgiveness

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**To qualify for public service loan forgiveness, a borrower must:**

- Make 120 qualifying monthly payments on an eligible Federal Direct Loan on or after Oct. 1, 2007;
  - • Be employed in a public service job as defined in the CCRAA during the time he or she makes the qualifying monthly payments;
  - • Be employed in a public service job as defined in the CCRAA at the time the Secretary of Education forgives the loan; and
  - • Make qualifying payments under one (or a combination of) the following:
    - o Income contingent repayment plan;
    - o Income-based repayment plan
    - o Standard repayment plan with a 10 year repayment period; or
    - o One of the other Direct Loan repayment plans under which the borrower paid a monthly amount that is not less than what the borrower would pay under a 10 year repayment plan.





# Public Service Loan Forgiveness

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- Employer Certification form now available – allows borrower to have eligible employment certified and on file with DOE servicer.
- By submitting form, borrower can register intent to participate in PSLF and loans will be moved to one servicer, FedLoan Servicing, that will keep track of eligible payments.



# Federal Loan Repayment Etc.

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- Borrowers can prepay their federal loans with no penalty.
- Payments with a shorter repayment period save money.
- Borrowers can move between the various repayment schedules without penalty.



# Private Loan Repayment Options

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- Standard, Graduated and Extended.
- Depending on your lender, length or repayment can range from 10 to 25 years.
- Timing of repayment begin date will depend on your lender and terms of your loan.

*Check with your lender!*



# Delinquency

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**Delinquency** is the failure to make payments when due.

- Reflects adversely on your credit report.
- Once you are delinquent for 360 days, you go into default.
- Contact your lender immediately to explore payment options if you become delinquent.



# Default

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- Default is the failure to repay educational loans.
- Reflects adversely on your credit report
  - Wages may be garnished
  - May lose federal and/or state income tax refunds
  - Suspends future borrowing ability
  - May lose professional licenses
  - Must repay the entire loan immediately
  - May be referred to a collection agency

# Tips For Success

- Be organized!
- Read and understand all correspondence from lenders and servicers.
- Save copies of all student loan records, correspondence and payment receipts (paper or electronic).
- Contact your lender or servicer to request a deferment, apply for a forbearance, or with any questions you may have.
- No penalty for pre-payment on Student Loans





# NSLDS – National Student Loan Database System

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- To find Federal Stafford, Perkins or GradPLUS loan information, visit [www.nslds.ed.gov](http://www.nslds.ed.gov)
- The website will provide information on:
  - Loan Amounts
  - Lender Addresses
  - Loan Periods
  - Interest Rates
- You'll need your four-digit PIN from the FAFSA to access your records. If you cannot remember your PIN, you can request a reminder
- For information on private/alternative loans, please check your records or visit your lender's website.

# Tax & Borrower Benefits!



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*Consult your tax advisor for details*

- Lifetime Learning Credit
- Student Loan Interest Deduction
- Tuition/Fees Deduction

*Repayment Incentives for Federal/Private Loans*

- On Time Incentive
- Direct Withdrawal
- Co-signer release

Consult your lender for details





# Contact Information

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Eleanor Kelly

Director of Financial Aid

302-477-2272

[lawfinaidde@mail.widener.edu](mailto:lawfinaidde@mail.widener.edu)

Questions now or anytime in the future